

**Response of the Attorney General's Office of the State of Illinois  
and the City of Chicago to Data Requests: SA 1.1 – 1.9**

January 23, 2006

Sean Brady  
Office of General Counsel  
Illinois Commerce Commission  
160 North La Salle Street  
Suite C-800  
Chicago, Illinois 60601-3104

RE: The Peoples Gas Light and Coke Company Docket Nos. 01-0707, 02-0727, 03-0705, 04-0683 (not consolidated) and North Shore Gas Company Docket Nos. 01-0706, 02-0726, 03-0704, 04-0682 (not consolidated)

Dear Mr. Brady:

Please find attached the responses of the People of the State of Illinois, by Lisa Madigan, Attorney General of the State of Illinois, and the City of Chicago to Staff's Data Requests SA-1.1-1.9.

Sincerely,

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cc: Service List

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**SA -- 1.1:** Identify the settlement terms of the Agreement that relate to each of the following Docket Nos.: 01-0706, 01-0707, 02-0726, 02-0727, 03-0704, 03-0705, 04-0682 and 04-0683. Provide such information by docket.

**Response:** Please see the “Joint Petition of the People of the State of Illinois, the City of Chicago, the Peoples Gas Light and Coke Company and North Shore Gas Company for Approval of Settlement Agreement” filed on January 23, 2006. (A copy of which is attached hereto as Exhibit A). The Agreement is a global settlement that accepts the total relief as a compromise of the outstanding reconciliation dockets and outstanding litigation pending in the Circuit Court of Cook County, Illinois, together as a package. The Agreement is a comprehensive package that must be considered as a whole to assess the benefits to consumers and the Commission should evaluate the entire settlement package in deciding whether to approve the settlement. Accordingly, the settlement terms of the Agreement cannot be related separately or otherwise be broken down by each of the individual reconciliation dockets listed in the above data request.

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**SA – 1.2:** In their January 19th Form 8-K, Peoples Energy Corporation stated that it expects to record a \$92 million pre-tax charge, or approximately \$1.45 per share, in its fiscal first quarter ended December 31, 2005. The charge is expected to be allocated approximately \$75 million to The Peoples Gas Light and Coke Company and \$17 million to North Shore Gas Company.

- a. Explain how the \$92 million pre-tax charge was determined.
- b. Explain how the allocation between Peoples Gas and North Shore were determined in the January 19th Form 8-K.

**Response:**

- a. This question is directed at Peoples Gas and North Shore.
- b. This question is directed at Peoples Gas and North Shore.

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- SA – 1.3:** A press release issued by the Illinois Attorney General's Office indicates that \$52.3 million of debt will be forgiven, and outstanding debt of 12,000 customers that had been disconnected because of inability to pay the high prices will be erased.
- a. What are the components of the \$52.3 million figure, i.e., is it one-year or multiple years of uncollectibles, does it include both Peoples Gas and North Shore, are there other types of debt included other than uncollectibles?
  - b. Does the Agreement prohibit the recovery of the \$52.3 million in any future rate case?
  - c. Why did the January 19<sup>th</sup> Form 8-K not acknowledge the \$52.3 million of debt?

**Response:**

- a. See Agreement section V which states:

In addition to the obligations above, the Peoples Companies project absorbing, recording and, ultimately, writing off, approximately \$52.3 million in bad debt resulting from accounts that its customers, for a variety of reasons, are unable to pay. If the Peoples Companies fail to absorb and record approximately \$52.3 million in bad debt for the fiscal year ending September 30, 2006 ("FY2006"), the Peoples Companies agree to absorb and record at least the difference between \$52.3 million and the amount actually absorbed and recorded in FY2006 during the fiscal year ending September 30, 2007 or in any subsequent fiscal year. To the extent that this bad debt relates to the Hardship Cases, Peoples Gas and North Shore Gas agree not to pursue collection of those past accounts, but without prejudice to the collection of further amounts incurred. The Hardship Cases may be identified by either the Peoples Companies or the Illinois Attorney General and the City of Chicago. Upon determination by and notice from the Illinois Attorney General or the City of Chicago, Peoples Gas and North Shore Gas will advise credit-reporting agencies to remove adverse credit information from the credit reports of the customers who are the Hardship Cases. (Agreement attached hereto as Exhibit B).

- b. The Agreement does not address whether or not Peoples Gas or North Shore Gas is prohibited from recovering the \$52.3 million in a future rate case. Such a decision is left to the discretion of the ICC consistent with its rules, regulations and applicable statutes.
- c. This question is directed at Peoples Gas and North Shore.

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- SA – 1.4:** A press release issued by the Illinois Attorney General's Office indicates that Peoples Energy will turn on gas service for those households whose debt is to be erased.
- a. Does the Agreement prohibit the recovery of the reconnection costs in any future rate case?
  - b. Why did the January 19<sup>th</sup> Form 8-K not acknowledge the costs of having to reconnect customers whose debt is to be erased?

**Response:**

- a. The Agreement does not address whether or not Peoples Gas or North Shore Gas is prohibited from recovering the reconnection costs in any future rate case. Such a decision is left to the discretion of the ICC consistent with its rules, regulations and applicable statutes. However, Peoples Gas and North Shore Gas have affirmatively represented that they will not request recovery of any incremental costs related to reconnecting Hardship Cases in any future rate cases.
- b. This question is directed at Peoples Gas and North Shore.

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**SA – 1.5:** Does the Agreement require hub revenues be recovered through the Gas Charge, pursuant to 83 Ill. Admin. Code Part 525.40(d)?

**Response:** The Agreement does not address whether or not Peoples Gas or North Shore Gas can recover hub revenues through the Gas Charge, pursuant to 83 Ill. Admin. Code Part 525.40(d). Such a decision is left to the discretion of the ICC consistent with its rules, regulations and applicable statutes.

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- SA – 1.6:** The press release issued by the Illinois Attorney General's Office indicates that Peoples Energy will refund to all current Peoples Gas and North Shore Gas customers \$100 million:
- a. Does the Agreement expect that the \$100 million refund will be run through the PGA clauses?
  - b. How does the \$100 million refund relate to the adjustments proposed in the proposed order in Docket No. 01-0707?
  - c. Is the \$100 million refund based on the evidence supporting adjustments in Docket Nos. 01-0706 and 01-0707? If yes, explain how it is related?

**Response:**

- a. The Agreement does not address this issue directly. However, the Agreement does allow the refund to be stated on bills “in a manner acceptable to the Illinois Attorney General and the City of Chicago.” (See Agreement Section I. C. (2)) The Agreement also states that “[i]n the event that the ICC does not approve a per capita refund, the Customer Refund shall be paid by a method that is acceptable to the ICC, provided, however, that the Customer Refund is \$100 million and is paid in two \$50 million payments.” (See Agreement Section I. C. (3))
- b. Please see the “Joint Petition of the People of the State of Illinois, the City of Chicago, the Peoples Gas Light and Coke Company and North Shore Gas Company for Approval of Settlement Agreement” filed on January 23, 2006. (Ex. A) The Agreement is a global settlement that accepts the total relief as a compromise of the outstanding reconciliation dockets and outstanding litigation pending in the Circuit Court of Cook County, Illinois, together as a package. The Agreement is a comprehensive package that must be considered as a whole to assess the benefits to consumers and the Commission should evaluate the entire settlement package in deciding whether to approve the settlement. The Attorney General and the City are, therefore, unable to tie specific portions of the settlement to particular findings in ALJ Sainsot's Proposed Order for Docket No. 01-0707.
- c. See Response to Data Request SA 1.6(b) above.

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**SA – 1.7:** Explain how each of the seventeen findings, in the Findings and Ordering paragraphs (pp. 134-36) of the ALJ proposed order in Docket No. 01-0707, would be affected by the settlement.

**Response:** Please see the “Joint Petition of the People of the State of Illinois, the City of Chicago, the Peoples Gas Light and Coke Company and North Shore Gas Company for Approval of Settlement Agreement” filed on January 23, 2006. (Ex. A) The Agreement is a global settlement that accepts the total relief as a compromise of the outstanding reconciliation dockets and outstanding litigation pending in the Circuit Court of Cook County, Illinois, together as a package. The Agreement is a comprehensive package that must be considered as a whole to assess the benefits to consumers and the Commission should evaluate the entire settlement package in deciding whether to approve the settlement. The Attorney General and the City are, therefore, unable to tie specific portions of the settlement to particular findings in ALJ Sainsot’s Proposed Order for Docket No. 01-0707.



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**SA – 1.8:** Provide a copy of the August 25, 2005 subpoena that is mentioned on pages 12 and 13 of Section VI.E of the Settlement Agreement and Release dated January 17, 2006.

**Response:** The Attorney General cannot release a copy of a non-public civil investigatory subpoena. However, it is our understanding that Peoples Gas and North Shore will make a copy available pursuant to requests directed to them.

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**SA – 1.9:** What is the purpose and meaning of the acknowledgements in Section III.B of the Settlement Agreement and Release dated January 17, 2006?

**Response:** The purpose and meaning of these acknowledgements was to state, for the greater comfort of the settling parties, facts as to how Peoples Energy Corporation operates and to memorialize this operation for future conduct by Peoples Energy Corporation.